

Press Release
Godavari Commodities Limited
April 15, 2024
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	135.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	365.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	500.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) and also reaffirmed the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) to the Rs.500.00 crore bank facilities of Godavari Commodities Limited (GCL). The outlook is '**Stable**'.

Rationale for Rating

The rating factors in the stable operating and financial performance of GCL. The operating income of the company stood at Rs.2054.12 Crore in FY2023 as compared to Rs. 1244.54 Crore in FY2022, the improvement is mainly on account of higher sale of services and increase in average coal prices during the period. In current year, coal prices have normalized leading to moderation in total turnover of the company albeit improvement in volumes traded year on year. The company has generated revenue of ~Rs.1574 Cr. in 11MFY2024 and is expected to close year in the range of Rs. 1700-1800 Cr. The company has shown improvement in operating margin in FY2023 as it stood at 11.05% as against 9.97% in FY2022. However in 9MFY2024, the operating margin stood at 8.17%, the moderation is on account of normalisation of coal prices in FY2024. The company's financial risk profile is marked by healthy net worth, low gearing and moderate debt protection metrics. The overall gearing of the company stood at 0.10x times on March 31, 2023 as compare to 0.11 times in last year. The interest coverage ratio and total debt/ EBITDA ratio of 27.68 times and 0.31 times respectively in FY2023 as against 7.85 times and 0.43 times in FY2022. The rating however remains constrained by working capital intensive nature of operations of GCL. Going forward, the company ability to maintain its scale of operations and profitability while maintaining its capital structure and restricting elongation of its working capital cycle will remain as key rating monitorable.

About the Company

Incorporated in 1992, GCL is a Kolkata based company engaged in trading of non-coking coal. The company also provides coal handling, supervision, and transportation services. GCL was promoted by the Bhutoria family associated with coal trading since last three decades. Currently the business is managed by Mr. Padam Chand Bhutoria and his sons Mr. Indraj Mal Bhutoria and Mr. Kamal Bhutoria. Till fiscal 2012, it was only trading in domestic coal. However, from FY 2013, it also commenced trading in imported coal. Recently, the company has bagged two contracts from West Bengal Mineral Development and Trading Corporation Ltd for excavation and loading of Sand from the river beds in West Bengal and transporting thereof to customers

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of GCL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

Established in 1992, the company has been operational for around two decades. The promoter, Mr. Padam Chand Bhutoria has more than three decades of experience in the coal trading business. Currently the business is managed by Mr. Padam Chand Bhutoria and his sons Mr. Indraj Mal Bhutoria and Mr. Kamal Singh Bhutoria. The Bhutoria family has been associated with the coal trading business since the past three decades. The long standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with key suppliers and reputed customers across the country. The clientele majorly consists of client having high credit worthiness and reputations in the market. Some of the key customers of the company are Saroj Commodities Private Limited, Ankit Metal and Power Ltd, West Bengal Minerals Development & Trading Corporation Limited, Lalitpur Power Generation Company Ltd. to name a few. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

Healthy financial risk profile

The company's financial risk profile is marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net-worth stood at Rs. 755.79 Crores as on March 31, 2023 as compared to previous year of Rs. 582.07 Crores as on March 31, 2022, increase in net-worth mainly on account of accumulation of profit to reserves. The total debt stood at Rs. 76.32 Cr. and includes long term debt of Rs. 5.20 Crores and working capital borrowing of Rs. 71.12 Crores. The overall gearing stood at 0.10x times on March 31, 2023 as compare to 0.11 times in last year. TOL/TNW stood at 0.69 times as on March 31, 2023 as compared to previous year at 0.60 times as on March 31, 2022. The company's debt protection metrics is marked by an interest coverage ratio and total debt/ EBITDA ratio of 27.68 times and 0.31 times respectively in FY2022 as against 7.85 times and 0.43 times in FY2022. Acuité believes that GCL's financial profile will continue to remain healthy in absence of any major debt funded capex plans over the medium term.

Fluctuating operating income and profitability, albeit improvement in t raded volumes

The operating income of the company stood at Rs.2054.12 Crores in FY2023 as compared to Rs. 1244.54 Crores in FY2022, the improvement is mainly on account of higher sale of services and increase in average coal prices during the period. In current year, coal prices have normalized leading to moderation in total turnover of the company albeit improvement in volumes traded year on year. The company has generated revenue of ~Rs.1574 Cr. in 11MFY2024 and is expected to close year in the range of Rs. 1700-1800 Cr. In terms of quantity, till December 2023, the company has traded 11.18 Lakh tonnes of coal and is expected to trade ~14 Lakh tonnes by year end. In FY2023 the trade coal volume stood at 13.23 lakh tonnes.

The company has shown improvement in operating margin in FY2023 as it stood at 11.05% as against 9.97% in FY2022. However in 9MFY2024, the operating margin stood at 8.17%, the moderation is on account of normalisation of coal prices in FY2024.

Acuite believes the company's ability to improves its scale of operations and profitability shall remain as key rating monitorable.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company has improved in FY23 as reflected from gross current assets (GCA) of 178 days in 31st March 2023 as compared to 217 days on 31st March 2022. GCA has improved on account of implementation of strict debtor collection policy and capping its exposure to individual customers and control inventory level. There is a slight improvement in Debtors and inventory level to 76 days and 42 days respectively in FY2023 as compare to 80 days and 45 days respectively in previous year. Acuité believes the company's ability to sustain the above improvement in working capital operations of the company will remain a key rating monitorable.

Rating Sensitivities

- Ramp up in scale of operations while sustaining operating profitability
- Identifying new customers

Liquidity Position Strong

The company's liquidity position is marked strong with healthy cash accruals and adequate cash and liquid investments. The net cash accruals stood high at Rs 175.18 Cr. as on March 31, 2023 as against negligible debt repayment obligation. The company maintained cash and bank balance of Rs. 35.25 Cr. as on March 31, 2023 and also holds unencumbered FD/Mutal fund of Rs. 32.97 Cr. as on December 31, 2023. The company is estimated to generate net cash accruals in the range of Rs. 100 Cr – Rs. 120 Cr. in the period FY2024-25 as against negligible repayment obligations. However, working capital management of the company is high marked by Gross Current Assets (GCA) of 178 days in 31st March 2023 as compared to 217 days in 31st March 2022. Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of sustainable growth in the financial performance of the company marked by satisfactory scale of operations and sustenance of profitability margins coupled with comfortable capital structure and strong debt coverage indicators on the back of consistent increase in the networth and healthy cash accruals over the years. Conversely, the outlook may be revised in case of weakening of its business risk profile, lower coal offtake and deterioration in profitability margins thereby impacting the liquidity and debt protection indicators of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2054.12	1244.54
PAT	Rs. Cr.	173.40	92.48
PAT Margin	(%)	8.44	7.43
Total Debt/Tangible Net Worth	Times	0.10	0.11
PBDIT/Interest	Times	27.68	7.85

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	33.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	27.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	220.00	ACUITE A1 (Assigned)
	Proposed Letter of Credit	Short Term	3.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	30.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
		Long		ACUITE A Stable (Upgraded from

27 Jan 2023	Cash Credit	Term	20.00	ACUITE A- Stable)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Letter of Credit	Short Term	30.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	30.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	27.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	10.00	ACUITE A1 (Assigned)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Cash Credit	Long Term	15.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Letter of Credit	Short Term	3.00	ACUITE A1 (Upgraded from ACUITE A2+)
14 Mar 2022	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Proposed Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A1 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE A1 Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A Stable Reaffirmed
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A1 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	43.00	ACUITE A1 Reaffirmed
RBL Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.00	ACUITE A1 Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A1 Reaffirmed

Yes Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A1 Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A1 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A1 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	73.00	ACUITE A1 Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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